

## Message Text

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ACTION ITC-01

INFO OCT-01 EUR-12 EA-09 ISO-00 EB-07 COME-00 STR-04  
TRSE-00 OMB-01 OES-07 EPA-04 CEQ-01 L-03 /050 W  
-----161912Z 097132 /50

R 161800Z JUN 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 9136  
INFO AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LONDON  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
AMEMBASSY TOKYO  
AMCONSUL BREMEN  
AMCONSUL DUSSELDORF  
AMCONSUL FRANKFURT  
AMCONSUL HAMBURG  
AMCONSUL MUNICH  
AMCONSUL STUTTGART

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BRUSSELS ALSO FOR USEEC

E.O. 11652: N/A  
TAGS: ETRD, GW  
SUBJECT: USITC REQUEST FOR INFORMATION ON TRADE IN  
AUTOMOBILES

REF: STATE 106667

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1. OF THE HANDFUL OF GERMAN AUTOMOBILE MANUFACTURERS  
WHICH CURRENTLY EXPORT TO THE US (VOLKSWAGEN, BMW,  
DAIMLER-BENZ, FORD, PORSCHE/AUDI), SPECIFIC COMPLAINTS  
OF US MEASURES HAVE BEEN MADE ONLY BY DAIMLER-BENZ.  
THE GERMAN GM SUBSIDIARY OPEL IS NOT NOW EXPORTING TO  
THE US MARKET. DAIMLER-BENZ OFFICIALS, INCLUDING  
BOARD CHAIRMAN ZAHN, HAVE TAKEN A PARTICULAR EFFORT

TO EXPLAIN TO CON GEN STUTTGART THE PROBLEMS THEY HAVE FOUND IN DEALING WITH US REGULATORY REQUIREMENTS. THE FOLLOWING COMPLAINTS OF US PRACTICES ARE THEREFORE BASED (EXCEPT WHERE OTHERWISE NOTED) ON THESE CONVERSATIONS WITH DAIMLER-BENZ.

2. THE SPECTRUM OF US REGULATIONS IS AIMED AT THE DOMESTIC PRODUCER WITH ANNUAL MODEL CHANGES. FOR A LOW VOLUME IMPORTER WITH A LONGER MODEL RUN (DAIMLER'S IS NORMALLY 8 YEARS), THERE IS INSUFFICIENT FLEXIBILITY TO RESPOND PROMPTLY TO CHANGING REGULATIONS. THE COST OF COMPLIANCE IS THUS MULTIPLIED SEVERAL FOLD. FOR EXAMPLE, DAIMLER'S 450 SLC WAS ORIGINALLY DESIGNED IN 1963 AND INITIALLY PRODUCED IN 1968. AT THAT TIME, NO THOUGHT WAS BEING GIVEN, EITHER IN THE UNITED STATES OR IN GERMANY, TO CATALYTIC CONVERTERS OR AIR BAGS. AS A RESULT THERE IS VIRTUALLY NO PLACE TO INSTALL SUCH EQUIPMENT ON THE AUTOMOBILE. THE ADDITION OF SUCH REQUIREMENTS AT THE PRESENT TIME IS A BARRIER TO CONTINUED EXPORT OF THE MODEL TO THE UNITED STATES. DAIMLER OFFICIALS SUGGEST A SOMEWHAT LONGER PHASE-IN PERIOD FOR IMPORTED AUTOMOBILES, CITING AS AN EXAMPLE THE JAPANESE DECISION TO GIVE FOREIGN MANUFACTURERS A THREE YEAR PHASE-IN PERIOD TO ADAPT TO JAPANESE EMISSION CONTROL REQUIREMENTS.

3. THE PHASE II FUEL CONSUMPTION STANDARDS SET BY THE ENERGY POLICY AND CONSERVATION ACT (EPCA) CONSTITUTE THE MOST SERIOUS POTENTIAL TRADE BARRIER, UNCLASSIFIED

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IN THE VIEW OF DAIMLER AND PORSCHE. NEITHER MANUFACTURER MAKES SMALL CARS, SO WOULD HAVE TO RESTRUCTURE THEIR COMPANIES TO COMPLY WITH THESE US STANDARDS. DAIMLER RECOGNIZES THAT THESE STANDARDS WILL ONLY TAX RATHER THAN PROHIBIT THE IMPORT OF AUTOMOBILES OF MANUFACTURERS WHICH ARE NOT IN COMPLIANCE WITH THE EPCA. WHILE THEY BELIEVE THIS SURCHARGE WILL HAVE LITTLE EFFECT ON SALES, DAIMLER WOULD BE FORCED TO MAKE THE DECISION TO REMAIN IN THE AMERICAN MARKET AGAINST THE INTENT OF PREVAILING AMERICAN LAW - A POSITION IN WHICH THEY DO NOT WANT TO BE PUT.

4. EMISSIONS CONTROL REGULATIONS BEING DEVELOPED FOR DIESEL ENGINES ARE SO STRINGENT AS TO CONSTITUTE A TRADE BARRIER. CALIFORNIA HAS ANNOUNCED ITS INTENTION TO APPLY EMISSION CONTROLS TO DIESELS IN 1980 SETTING A NOX LEVEL OF 1.0. DAIMLER DOUBTS THAT IT IS POSSIBLE TO MEET THIS STANDARD. ITS PRESENT DIESELS EMIT A NOX LEVEL OF 1.6.

5. ANTI-NOISE STANDARDS WHICH ARE BEING ADOPTED BY THE VARIOUS STATES MAY IN THE FUTURE POSE A SERIOUS PROBLEM, SINCE INDUSTRY EXPENDITURES ON ANTI-NOISE STANDARDS PROMISE TO BE EVEN HIGHER THAN EMISSION CONTROL EXPENDITURES HAVE BEEN, ACCORDING TO DAIMLER. FURTHERMORE, THERE IS NO SET PATTERN FOR THESE STATE STANDARDS, SOME OF WHICH ARE CONTRADICTORY.

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6. THE TOTALITY OF ALL REGULATIONS AND TECHNICAL SPECIFICATION REQUIREMENTS WHICH MUST BE MET TO EXPORT TO THE AMERICAN MARKET REQUIRES MORE EXPENSE AND EFFORT THAN IS REQUIRED TO EXPORT TO ANY OTHER MARKET.

THE MANPOWER AND FINANCIAL RESOURCES WHICH MUST BE COMMITTED TO MEET AMERICAN REQUIREMENTS IS UNEQUALED. AS SUCH THE SUM OF AMERICAN REGULATIONS COULD BE CONSIDERED A DE FACTO NON-TARIFF TRADE BARRIER.

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7. THE LIMITED TIME FACTOR FOR INPUT AND COM EN#

PROPOSED REGULATIONS CAN BE EXTREMELY DIFFICULT FOR A FOREIGN MANUFACTURER. FOR EXAMPLE, TO RESPOND IN THE NORMAL REQUIRED 30 DAYS REQUIRES TRANSMITTAL TO GERMANY; TRANSLATION OF DETAILED TECHNICAL PAPERS INTO GERMAN; POLICY DECISION ON ACTION TO BE TAKEN; RE-TRANSLATION; AND TRANSMITTAL TO WASHINGTON. FOR THIS REASON SUBMISSIONS ARE OFTEN LATE AND HENCE MAY NOT BE GIVEN ADEQUATE CONSIDERATION. NEITHER DAIMLER NOR OTHER MANUFACTURERS HAVE COMPLAINED THAT THIS CONSTITUTES A TRADE BARRIER, BUT HAVE RATHER DESCRIBED THESE TIME CONSTRAINTS AS AN ADDITIONAL ADMINISTRATIVE PROBLEM FOR THEM. AT THE SAME TIME, THEY HAVE EXPRESSED APPRECIATION FOR THESE OPPORTUNITIES TO OFFER THEIR VIEWS ON PROPOSED US REGULATIONS.

8. COMMENT: ASIDE FROM DAIMLER-BENZ, GERMAN AUTOMOBILE MANUFACTURERS HAVE VIEWED US SAFETY AND EMISSIONS CONTROL REGULATIONS WITH SOME DEGREE OF EQUANIMITY. THE HEAD OF THE GERMAN AUTOMOBILE MANUFACTURERS ASSOCIATION (VOA) HAS REMARKED TO US THAT THERE ARE OCCASIONAL TEMPORARY DIFFICULTIES IN CONNECTION WITH CHANGES IN TECHNICAL STANDARDS AND REGULATIONS. PROBLEMS INVOLVED, HOWEVER, HAVE ALWAYS BEEN OVERCOME IN COOPERATION WITH STATESIDE AUTHORITIES. HE ADDED THAT THERE HAS BEEN NO DEFINITE COMPLAINT OF A NON-TARIFF TRADE BARRIER AGAINST THE US FROM ANY ASSOCIATION MEMBER IN RECENT HISTORY. FORD OFFICIALS HAVE NOTED THAT EXPORT MODELS ARE SPECIFICALLY PLANNED AND GEARED TO US REQUIREMENTS IN ADVANCE. US SPECIFICATIONS ARE THEREFORE FULLY INCORPORATED INTO A SEPARATE PRODUCTION PROGRAM WITH NO EXTRA ALTERATIONS OR COST FACTORS INVOLVED AFTER ASSEMBLY-LINE COMPLETION. AS FOR DAIMLER-BENZ, THE CHIEF PROBLEM IT FACES IN EXPORTING TO US IS THAT OF ITS OWN CAPACITY LIMITATIONS.

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PURCHASERS OF NEW MODEL MERCEDES MUST WAIT UP TO

12 MONTHS FOR DELIVERY.

STOESSEL

NOTE BY OC/T: #AS RECEIVED.

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## Message Attributes

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